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SUBJECT: AMBASSADOR PROMOTES ENVIRONMENTAL COOPERATION AND
POSITIVE AGENDA IN SOUTHERN CHILE

Summary

1. Promoting U.S.- Chile environmental cooperation was the primary focus of Ambassador Simons, visit to Chile's 12th and Southernmost region -- Magallanes -- March 27-31, 2008. Principal areas of interest were the Yosemite-Torres del Paine Sister Parks Agreement, the Wildlife Conservation Society-managed Karukinka Reserve, and promoting the new Chile-California Partnership. The trip advanced our positive agenda in a region 3,000 km from Santiago, and helped move forward two Environmental Cooperation Agreement (ECA) biodiversity and conservation projects.

Magallanes and its Close (yet far) Connection to Argentina

2. The Magallanes Region -- proudly referred to by locals as the "Independent Republic of Magallanes" -- is home to roughly 150,000 inhabitants. Although residents treasure their autonomy from "the Center" (Santiago Metro Region), Magallanes is becoming increasingly more open and interconnected. The regional economy is principally driven by cattle and sheep farming, forestry, petroleum, fishing, and tourism. Punta Arenas (the Capital of the Region with a population of 120,000) is a free trade zone and the location for an increasing number of tourism operators with destinations in Torres del Paine and Tierra del Fuego. It is also a commonly-used port for U.S. Antarctic program ships, a hub for ecological and climate research (among others), and home to the world's largest methanol plant. The Ambassador was accompanied throughout his visit by E/POL officer.

3. An interesting and common theme throughout the Ambassador's meetings in Punta Arenas was the close nexus between Magallanes and Southern Argentina. Unlike in the North where the Andes create a formidable barrier between the two countries, in the South, the geographical proximity and the flat, open, pampas allow for a more fluid border crossing. On a daily basis Chileans cross into Argentina (and vice versa) for work, transportation purposes, and/or because of cross-border familial ties. However, these close connections do not always lead to the most complementary of comparisons. One of the Ambassador's first meetings was with the Alcalde of Punta Arenas, Juan Morano Cornejo (of the governing coalition, will seek re-election in 2008). Alcalde Morano espoused his municipality's efficiency by stating that while he had 450 employees on his payroll, Rio Gallegos in Argentina had 9,500, most of whom "sit around all day." Argentina and its gas supply was an unavoidable topic at Ambassador's meeting with ENAP at its Cabo Negro facility. ENAP informed the Ambassador that while Argentina's coastal pipeline is full, they are currently re-injecting excess gas rather than selling it to Chile. They have not received gas

from Argentina in nine months.

An "End of the Earth" Perspective on Energy and Environment

¶4. While the Magallanes Region is self sufficient in natural gas, the energy situation in the rest of Chile is increasingly bleak. Magallanes currently produces five million m3 of natural gas per day. Three million is sold to the Canadian methanol plant (Methanex), while the remainder is used for domestic heating and electricity generation in Punta Arenas. ENAP explained that to decrease dependence on Argentine gas, the Mining Ministry awarded exploration and production contracts for ten blocks that cover most of Tierra del Fuego, a decision that could have environmental consequences. Thus far nine exploration licenses have been awarded to five companies, including a license for two blocks to U.S. Apache Corporation. ENAP is pushing for more exploration in 2008, but when pressed on next steps if insufficient or little natural gas is found, ENAP officials simply shook their heads. The principal use for any new gas would be as a feedstock for the Methanex plant, as there is no available pipeline infrastructure to move the gas to Chile's energy poor central region.

¶5. Despite ENAP's (and Santiago's) preoccupation with the energy situation, for many Magallanes inhabitants, the energy debate takes on a much less urgent tone. Instead, many people the Ambassador met with were eager to discuss environmental issues such as land conservation and climate change. This is likely due to the Region's low population density, vast amounts of open space, unique ecosystems, and close proximity to Antarctica. Antarctica and glacial

melting are high on peoples' minds; the press asked the Ambassador about the U.S. position on climate change in every interview he gave. Regional and local leaders expressed interest in increased conservation. Both the Regional Intendente (President's representative) and Mayor of Punta Arenas were proud to mention the percentage of land already protected in Magallanes (one said 50%, the other said 60%). The Intendente is eager to connect tourism -- one of the Region's primary economic sectors -- to environmental protection through developing a regional ecotourism strategy. She stated that it is "the government's responsibility to develop in a sustainable manner."

¶6. During the Ambassador's meetings with the University of Magallanes (UMAG) and the Foreign Ministry-controlled Antarctic Research Institute (INACH), both institutions expressed similar interest in increased cooperation and collaboration with U.S. counterparts on ecological research. They discussed the necessity for more English language instruction as well. UMAG reiterated a desire for U.S. scientists that come through Punta Arenas to visit the University. Despite being mere minutes away from each other, relations between the UMAG and INACH seem tense. Although their research overlaps to a great degree, the two institutions have no formal agreement to work together. One of the UMAG professors indicated that the tension is due to a personal conflict at the highest level of both entities.

Karukinka Reserve and Torres del Paine

¶7. One of the principal reasons the Ambassador traveled to Magallanes was to express the State Department's continuing support of the Karukinka Reserve project (part of 2007-08 FTA Environmental Cooperation Agreement (ECA) Work Plan). The 2004 transfer from the Goldman Sachs Charitable Fund of 680,000 acres in Tierra del Fuego to the Wildlife Conservation Society ("WCS") represents one of the largest gifts of private land ever. Since 2004, the WCS and Goldman Sachs have established a formal Alliance to ensure continuity of the project and an Advisory Council to cooperate and manage the reserve.

¶8. National Geographic recently made a documentary ("Eden at the End of the World") that showcases the important role of this innovative public-private partnership in establishing the Reserve. The Ambassador delivered remarks at the Punta Arenas premiere of the documentary and then traveled to the Reserve to meet with Advisory Council members and discuss the management challenges that lie ahead. Among others, the WCS is developing a public use plan, working to control invasive species (namely beaver), and designing an environmental education program. The Ambassador discussed moving forward with an English language instruction program for Karukinka rangers as soon as June, 2008. WCS also expressed interest in exploring some sort of Sister Parks Agreement with a U.S. park, possibly in the Pacific Northwest.

¶9. While in the Torres del Paine National Park, the Ambassador offered similar support to the Patagonia Volunteer Project ("the Project") and Yosemite-Torres del Paine Sister Parks Agreement. The Project had just finished restoring a section of trail in the days before the Ambassador arrived. This was the fourth iteration of a project funded with \$50,000 in State Department support. The Project is now self-sustaining and the next group of volunteers will arrive in October. CONAF (National Forest Corporation) Torres del Paine Administrator Jose Linnebrink hosted the Ambassador in the Park. Linnebrink's staff of approximately 50 is not sufficient to meet the record number of visitors that go to Torres del Paine each year (last year the Park had 128,402 visitors). Due to CONAF's limited resources, it is clear that the private concessions within the Park are largely in control of tourism.

¶10. While Linnebrink has done an admirable job given the situation, there are conflicts between private tourism operators and CONAF over the direction in which the Park is heading. Increased tourism is welcomed by the private sector, but Regional CONAF Director Juan Jose Romero has stated he does not want visitor numbers to increase. Linnebrink is eager to move ahead on English language instruction for park rangers (part of Sister Parks Agreement), and the Embassy is working to find a teacher (similar to Karukinka) for as soon as June, 2008. This

instruction is more critical than ever as nearly 75% of Park visitors are foreigners. Additionally, several Yosemite rangers will visit Torres del Paine in May or June to aide with the continuing development of an interpretation center.

Comment

¶11. The Magallanes Region will continue to play a key role in the energy situation and development of protected areas in Chile. While still rough around the edges, the Region has an interest in (and some political will to) increase conservation efforts and develop an ecotourism strategy. While Karukinka's successful public-private partnership provides an innovative management model, the struggle between the public and private sector in Torres del Paine remains of concern. Through our Environmental Cooperation Agreement projects, the State Department has the opportunity to play a key role in ensuring conservation of Magallanes' unique ecosystems and helping to bridge the public-private gap.

SIMONS